

# WORLD TRADE ORGANIZATION

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**Committee of Participants on the Expansion  
of Trade in Information Technology Products**

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## **PHASE II OF THE ITA NON-TARIFF MEASURES WORK PROGRAMME**

### Communication from the European Communities

The following communication, dated 19 July 2002, has been received from the Permanent Mission of the European Communities.

#### **I. INTRODUCTION**

The European Communities (EC) has based its analysis for Phase II of the work programme on, inter alia, submissions made by ITA members, further consultations with industry, recent publications from the OECD and work of UN/ECE and studies related to the creation of the EU Single Market.

#### **II. REVIEW OF NON-TARIFF MEASURES IDENTIFIED BY ITA PARTICIPANTS**

##### **2.1 General Observations**

In reviewing the submissions to Phase I, the EC would like to highlight the following general observations. The NTMs identified by ITA members can be placed in the following broad categories:

- Technical regulations, standards and conformity assessment requirements ("TBT related NTMs").
- Import licensing and customs procedures.
- Rules and certificates of origin.
- Government procurement.

These NTMs have been identified as having a negative and distorting impact on trade in ITA products since they in particular introduce 1) additional cost; 2) time delays; and 3) uncertainty. In general terms the reason for this seems to relate to the following:

- Complicated, cumbersome and non-transparent regulatory requirements and procedures.
- Excessive paper work and administrative requirements and procedures.
- Involvement of several regulatory/administrative bodies with little or no co-ordination between them.

With regard to TBT related NTMs, which seems to be the main NTM identified, the reasons for the negative and distorting impact on trade also relate to differences in regulatory approaches,

standards and conformity assessment requirements as well as non-acceptance of test reports and certificates. The remainder of this document will limit itself to examine TBT related NTMs.

## 2.2 TBT related NTMs

From the submissions made to Phase I and from other information sources it seems quite clear that TBT related NTMs give rise to obstacles to trade resulting in increased costs and burdens to economic operators which in its turn can lead to unnecessarily higher consumer prices, reduced product choice, non-availability of new technologies etc. However, this does not mean that there are no legitimate public interests that need to be protected through regulations. Review of the submissions and studies available, in particular two recent studies from the OECD<sup>1</sup>, indicate that although there are differences between countries in respect of how these regulatory issues are dealt with, there are also several commonalities.

It seems that most ITA participants share to a large degree the same regulatory objectives with regard to ITA products, i.e. protection of safety and health (mainly related to electrical safety), electromagnetic compatibility, avoiding interference and certain telecommunications equipment specific requirements (mainly protection of the public network). Other important commonalities relate to the technical basis for dealing with many of these regulatory objectives, i.e. the relevant international standards (such as IEC 60950, CISPR 22 and 24). Where there are differences these relate to, for example, not all countries regulating EMC for ICT products (although these countries operate “voluntary” certification schemes), for telecommunications equipment some countries also regulate interoperability and “quality” aspects (e.g. clarity of voice telephony, speed of data transmission). Furthermore, additions and/or modifications are sometimes made to the relevant international standards when using them for regulatory purposes. The reason for and nature of the additions and/or modifications are often unclear and are presented in a non-transparent manner. This leads to uncertainty for manufacturers, in particular small and medium sized enterprises, that have designed their products according to the international standards.

The main differences in regulatory approach seems to relate to conformity assessment requirements, where ITA members seem to rely on either supplier’s declaration of conformity or third party approval (either private or government body). However, a number of variants exist, as identified in the recent OECD studies mentioned above, which adds further complexity to marketing ITA products on a either a global basis or in relation to individual countries. The difference in conformity assessment requirements is in a sense surprising if countries more or less share the same regulatory objectives.

Another TBT related NTM identified by ITA participants is the non-recognition of test reports and certificates issued by “foreign” conformity assessment bodies. Mutual recognition agreements can help in this respect. Reliance on the mutual recognition arrangements established between accreditation bodies at the international level (ILAC and IAF) and between the national measurement institutes (BIPM) could also alleviate the problem of non-recognition. However, the EC believes there are additional and sometimes even more efficient ways of addressing the TBT related NTM identified and at the same time ensuring that legitimate public interests are a protected through, for example, convergence of regulatory approaches, improved transparency in regulations and deregulation where appropriate.

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<sup>1</sup> “Tackling Non-Tariff Measures in ICT Sector: Survey of Developed and Developing Countries” TD/TC/WP/(2001)44/Rev1, June 2002 and “Standards related Barriers and Trade Liberalisation: Telecommunications Sector Study” TD/TC/WP(2001)11/Final, March 2002.

### **III. ECONOMIC AND DEVELOPMENT IMPACT OF TBT RELATED NTMS**

#### **3.1 General**

Empirical economic analysis of the effects of TBT related NTMs to trade and economic development is limited. The main reason being that the costs related to TBT related NTMs are difficult to quantify. This concerns both more direct costs related to redesign and multiple testing and certification and to indirect costs in the form of delays to market introduction, information gathering, administrative burdens and overheads etc. A further complicating factor is the existence of de facto “voluntary” certification and marking schemes, which can impose barriers to trade just as effectively as mandatory regulations. The transparency in these schemes is not always obvious and are often justified on the grounds that they are “market driven”.

Nonetheless, there are estimates that indicate that the overall impact of TBT related NTMs on trade in ITA products is substantial. The US International Trade Commission mentions some of these estimates in its report “Global Assessment of Standards Barriers to Trade in Information Technology Equipment”<sup>2</sup>. For example, the US Department of Commerce estimated that USD 66 billion of the USD 110 billion in US exports to Europe in 1993 were subject to EU required product certifications, whereof USD 10 billion primarily related to IT products, also the Information Technology Information Council (ITI) has estimated that duplication of mandatory US and EU testing and certification for computers, telecommunications equipment and other IT products costs US companies and consumers more that USD 1.3 billion annually<sup>3</sup>. Correspondingly, it seems safe to assume that EU exporters to the US experience comparable costs Additional estimates in relation to the EU Single Market are given below.

Despite a certain lack of empirical data, repeated qualitative surveys with industry have always shown that TBT related NTMs are a clear impediment to trade. In this respect the aspect that causes most concern is delays in market introduction as the speed of innovation in ITA products and shortening product life cycles are being accelerated.

#### **3.2 Experience from creating EU Single Market**

As pointed out in its submission to Phase I, the EC has, in creating the Single Market, considerable experience in dealing with TBT related NTMs. The EU regulatory environment has evolved from one based on national regulations of the EU Member States to one single regulatory regime based on common regulatory requirements and conformity assessment procedures and recourse to voluntary European harmonised standards, which are based on the corresponding international standards.

Before the launch of the Single Market in 1992, the EU market for telecommunications equipment could be characterised as highly fragmented national markets with very limited intra-EU trade and substantial price differentials between Member States. Some of the main reasons underlying this were related to closed national procurement markets, different technical requirements and standards, non-recognition of type approvals and no competition in provision of telecommunication services. As part of the Single Market Programme (SMP), the Commission issued in 1987 a Green Paper on a common market for telecommunication services and equipment<sup>4</sup>. The Green Paper set out

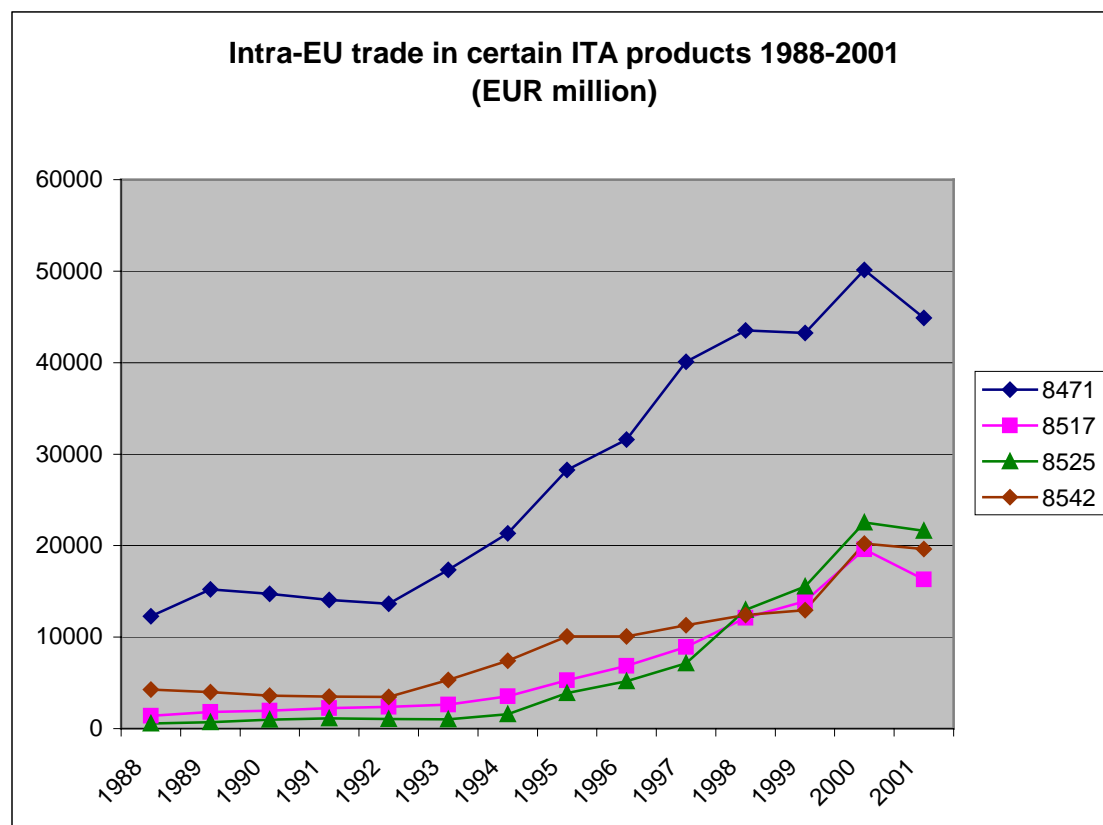
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<sup>2</sup> Office of Industries, US International Trade Commission, Publication 3141, November 1998.

<sup>3</sup> It should be noted that this was based on a situation when the EU still had a regulatory regime for telecommunication products based on mandatory standards and third party approval, which has now been de-regulated and liberalised.

<sup>4</sup> European Commission, Toward a Dynamic European Economy: Green Paper on the Development of the Common Market for Telecommunication Services and Equipment, COM(87) 290 final (Brussels, 1987).

a number of measures to be implemented in view of achieving the objectives of liberalising services, opening up national borders in the terminal equipment market and providing open access to the telecommunications infrastructure. Among these measures were the harmonisation and recognition of type approvals and support to standardisation activities (ETSI was subsequently created), as well as for the harmonisation of radio frequency allocations for certain services (GSM, DECT, ERMES). The SMP has had a considerable effect on the functioning of the European telecommunications market. The figure below shows that intra-EU trade only took off after the SMP was put into place.



Source: Comext database. 8471 is automatic data processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, 8517 is electrical apparatus for line telephony or line telegraphy, including such apparatus for carrier-current line systems, 8525 is transmission apparatus for radio-telephony, radio-telegraphy, radio-broadcasting or television, whether or not incorporating reception apparatus of sound recording or reproducing apparatus; television cameras (excl. camcorders capable of recording television programmes using an external video tuner), 8542 is electronic integrated circuits and microassemblies

### 3.2.1 Study on the impact of the Single Market for telecommunications equipment

Both in the wake and aftermath of launching the Single Market in 1992, the European Commission has carried out studies to assess the impact of the SMP on the European economy. The Commission also continues to review and assesses the functioning of the Single Market and publishes these results in, for example, the Internal Market Scoreboard. In 1996 the Commission carried out a series of studies to assess the progress made in implementing the SMP since 1992, one of which was related to telecommunications equipment<sup>5</sup>. The description below gives an overall account of the main

<sup>5</sup> European Commission, Single Market Review Sub-series I, Volume 8: Telecommunications Equipment, 1997. A summary of this report can be found at: [http://europa.eu.int/comm/internal\\_market/studies/stud21.htm](http://europa.eu.int/comm/internal_market/studies/stud21.htm).

findings of the report and in particular as they relate to the impact of the measures related to removing NTMs<sup>6</sup>. In this respect the report reflects the situation of when it was prepared, i.e. 1996.

First of all it should be mentioned that it is difficult to isolate the impact of the SMP from other factors driving change (for example technological change, in particular digital integrated circuits, played a major role during the 1980s) and the specific contributions from individual SMP measures. The main conclusion of the study is that the primary impact of the SMP has been to accelerate the reduction of EU equipment prices by changing the purchasing behaviour of Europe's telecommunications operators (TO). The SMP has also made a considerable contribution to increasing the competitiveness of EU equipment manufacturers.

The sections below give an account of the economic effects of the SMP measures as they relate to removing non-tariff barriers and in particular those related to technical barriers to trade.

#### Competitiveness and productivity effects

The SMP measures have contributed to the global competitiveness of European telecommunications equipment manufacturers in two ways:

1. By increasing the competitive intensity of the domestic markets of European manufacturers and accelerating the development of a large integrated pan-European market.
2. Through specific contributions to individual developments, such as GSM and ISDN, which improved the competitive position of European manufacturers.

The SMP has increased the competitive intensity of European equipment markets by altering the procurement behaviour of the dominant customers of telecommunications equipment manufacturers, the national telecommunications operators, by accelerating the breakdown of the managed national monopolies of the TOs and by removing most of the artificial restrictions on market access.

#### Scale and scope effects

There are increasingly significant underlying economies of scale for many categories of telecommunications equipment, and the ability of manufacturers to benefit from these economies of scale is an important determinant of their competitive strength. The corporate strategies of the equipment manufacturers in the 1980s and 1990s have been largely driven by the need to access economies of scale. Scale economies are increasing because of the following trends: 1) increasing product development costs, 2) increasing software content, 3) increased content of customized integrated circuits, 4) increased cost of production assets, 5) increased learning-curve effects, 6) reduced mechanical and electro-mechanical content.

The creation of the EU Single Market for telecommunications equipment has had a beneficial effect on the ability of EU manufacturers to achieve levels of production that match the opportunity for scale effects. Although the impact of SMP is difficult to separate from other drivers of scale and scope effects, two mechanisms of the SMP have improved opportunities for manufacturers to access scale economies:

- 1) **Increasing market size.** The removal of restrictions on market access and harmonisation of markets (see below) effectively enlarges the market for an individual equipment product, and

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<sup>6</sup> The report expresses the views of the authors and does not express the Commission's official views.

enables scale economies in product development, manufacturing and distribution to be accessed without incurring significant customisation or replication costs.

- 2) **Increased manufacturers' confidence about the size of the market and their likely share.** In order to achieve scale economies it is (in general) necessary to anticipate future market size and invest in production systems that deliver the benefits of scale. The risks of such investments are reduced if the manufacturer is confident that the market for its product will develop in a predictable way. Standards play an important role in increasing manufacturers' confidence in this respect (e.g. the effects of the ATM standards, GSM standards, G3 fax standards).

The report assesses that the SMP has had a high effect on opportunities to access scale effects for in particular manufacturers of terminal equipment and above all for small and medium sized companies. Removal of different approval requirements and technical harmonisation have enabled such companies to increase their volumes without incurring the costs of addressing fragmented national markets (the report also includes a very illustrative case study in this respect).

#### Market access effects

The SMP has effectively removed legal, procedural and administrative barriers related to approvals and technical requirements that existed before the Single Market. The impact of these results, on for example market shares or market structure, had not been dramatic five years after their introduction. One of the reasons for this is that the large and well resourced companies could overcome such barriers through "multi-domestic" manufacturing strategies (in this respect such sub-optimal strategies could, with the Single Market in place, be scrapped in favour of taking advantage of the economies of scale offered).

The SMP's improvement of market access is particularly important for the terminal equipment sector, where non-EU imports are much more significant than imports of switching or transmission equipment, and where most of the small and medium sized EU telecommunications equipment manufacturers are active. Import penetration into the EU had risen steadily since the mid 1980s. In 1985, imports accounted for 14% of the total EU market for telecommunications equipment. By 1992 this figure had risen to 23% and was still increasing. Even in this respect the report has not been able to quantify observable impacts that can be directly attributed to the SMP measures. However, the conclusion is that in the absence of the Single Market, it would undoubtedly be more difficult to obtain approvals for equipment in many national markets and the only route to market would be via the national telecommunications operator. Many SMEs which are benefiting from cheaper, quicker and easier approvals for their equipment would have been deterred from their efforts in the absence of the SMP.

#### Direct production cost effects

Although a wide range of specific and horizontal measures in the SMP have focused on matters relevant to production costs (analysis related scale and scope effects treated elsewhere) and many of these measures have had positive effects for SMEs, these measures have not had a measurable effect on actual production costs measured at a sectoral level because of the domination of the sector by large firms. With regard to SMEs, although the actual level of production cost savings will vary considerably depending on the size, products and target markets of each firm, the major categories of production cost savings for SMEs arising from the impact of the SMP are:

- Cheaper, quicker and more predictable approvals process.
- Reduced costs of bureaucracy for cross-border sales.

- Technical harmonisation, reducing the need to re-engineer products for different national markets.

#### Evolution of final prices

In the mid-1980s, before the introduction of the SMP, the key features of EU telecommunications equipment pricing were as follows:

- Average EU equipment prices were estimated to be approximately 50% higher than “competitive world prices” (US domestic telecommunication equipment prices), with the various caveats concerning the comparability of different prices. A more conservative estimate puts the average price premium to 20%.
- Significant price differences existed between European national markets for each category of telecommunications equipment, confirming that the European market was strongly partitioned into distinct national markets.

The premiums that were observed in European telecommunications equipment markets in the mid-1980s were substantially reduced in the ten-year period from 1985 to 1995. The price differentials between individual national markets within the EU have also been substantially reduced. The table below gives the estimated changes in EU price premiums.

<b>Estimated average EU equipment price premiums 1985 to 1995</b>		
	<b>1985</b>	<b>1995</b>
Public switching	60%	24%
Transmission equipment	38%	5%
Customer premises equipment	52%	25%
Approximate overall average price premium	50%	20%
“Corrected” price premium	20%	8%

These figures are subject to certain caveats that are explained in the report and have also led to a “corrected” price premium. However, even given the caveats it can be concluded that the purchasers of telecommunications equipment are achieving significantly better prices in the mid-1990s that was the case in the mid-1980s, both in absolute terms and relative to competitive world prices. Taking the conservative 12% reduction in EU price premiums and applying this to a 1993 estimate of the EU equipment market of EUR 16.9 billion, European purchasers are avoiding annual expenditure of approximately EUR 2 billion through the reduction in EU price premiums.

#### Effects on consumers

The impacts of the SMP on the telecommunications equipment sector are benefiting consumers in three main areas:

1. **Enabling cheaper and better residential telecommunications equipment.** The SMP has brought greater competition in the markets for residential equipment (CPE) such as handsets, answer phones, home faxes and modems and contributed to the significant improvement in the range of products available and the range of retail outlets through which they can be purchased or leased. Based on the analysis of the effect on prices, residential CPE prices in the EU in 1985 averaged 50% more than those in the USA. This premium is estimated to have fallen to approximately 25% by 1995. A significant portion of this reduction in premium can be attributed to the SMP measures.

2. **Allowing cheaper telecommunications services.** Although there is no robust quantified relationship between telecommunications equipment and services prices, the falling unit prices of equipment provide a falling “floor” for services prices, and the contribution of the SMP to equipment price falls has assisted this trend in Europe. The figure below gives
3. **Contributing to cheaper and better mobile services.** The SMP has made valuable specific contributions to the success of the GSM standard, which has benefited EU manufacturers, operators and users. The almost universal deployment of the GSM system in Europe has made high-functionality mobile services widely available to business users, and the success of the system in the business sector is leading to affordable services for consumers (through a combination of scale and competition effects).

### 3.2.2 Further liberalisation of the EU telecommunication equipment market

The SMP measures initially taken with regard to removing TBT related NTMs (on which the study described above is based on) were centred on harmonising the individual Member State approval procedures and introducing common technical standards. Although this measure, together with others related to e.g. support of standardisation, removed the majority of TBT related NTMs in the EU, it was done on an approach based on third party approvals and mandatory technical standards. In view of further contributing to a competitive and innovative environment without unnecessary market access impediments, the Directive on radio and telecommunications equipment (RTTE directive) was introduced in March 1999. The RTTE directive replaced previous EU directives and some 1,500 national technical regulations that were still in place and introduced an open competitive system that relies on self-regulation by industry wherever possible.

The RTTE directive has to a very high degree deregulated and liberalised the placing on the EU market of radio and telecommunication terminal equipment. The main features of the RTTE directive and changes introduced compared to the previous regulatory regime are the following:

- **Introduction of manufacturers' declaration of conformity:** Assessment of the conformity of a product with the requirements of the Directive becomes a responsibility of the manufacturer. The manufacturer does not need to obtain further approval certificates from an official body after having passed tests in a legally recognized laboratory.
- **Lower requirements:** Terminal access requirements have been removed. Fixed network terminal equipment therefore only needs to comply with electrical safety and electromagnetic compatibility requirements. Radio equipment needs to effectively use the spectrum and not cause harmful interference. In exceptional cases the EU can introduce additional public interest requirements. This is for the time being only foreseen for safety critical radio equipment on sea and inland waterway vessels.
- **New approach to standards:** Requirements are legal, not technical. Voluntary standards will continue to play a prominent role in determining whether a product complies with the legal requirements. When standards are however not available or not appropriate, a manufacturer still has a route to the market. However, in such a case the manufacturer needs to demonstrate more extensively how the requirements of the Directive were met in its technical file.
- **Scope - Complete coverage of the sector:** The Directive replaces national regimes. Any problems caused by the fact that the frequency spectrum in the Community is not fully harmonised are handled through specific provisions in the Directive.
- **Obligation for network operators to publish their interfaces:** The Directive obliges operators of public telecommunications services to publish the characteristics of their



interfaces, thereby allowing any manufacturer to construct terminal equipment to be attached to that network

- **Obligation for Member States to publish the rules to access the radio frequency spectrum:** The radio frequency spectrum is not fully harmonised in the Community. The Directive doesn't harmonise the spectrum. It is therefore of major interest to manufacturers to be fully aware of national differences in allocation and usage. Member States therefore are committed to publish such details allowing manufacturers to build products capable of operating in as large a market as possible.
- **Obligation for Manufacturers to inform the end user of intended use and limitations of use:** The Directive obliges manufacturers to in extenso inform users of the intended use and the limitations of use both on the packaging and in the manual. This means, that the manufacturer needs to inform the user on the networks for which a terminal has been designed and communicate clearly for which of the radio spectra of the Member States it has been designed.

In the Internal Market Score board the Commission reports on some of the initial impacts of the RTTE directive<sup>7</sup>. The RTTE directive has made a major contribution to the development of the mobile telephone market in the EU by removing regulatory problems with handset testing and approval procedures and thus facilitating the full exploitation of the benefits of the GSM standard. This has helped to develop a competitive and vigorous EU industry with world market shares in mobile phones exceeding 50%.

### 3.3 Development aspects

As with the economic impacts of removing NTMs, empirical data related to development aspects are not readily available, if at all. However, many of the findings related to the economic impact of NTMs for trade in ITA products and the benefits of their removal are also relevant for developing countries, both in relation to promoting exports and ensuring availability of innovative technologies at competitive prices.

The OECD report "Tackling Non-Tariff Measures in ICT Sector: Survey of Developed and Developing Countries" highlights the importance of the availability of ICT products in view of promoting participation of in particular SMEs in the electronic market places. The report states that: "The elimination of non-tariff measures on ICT products will reduce the cost of ICT infrastructure, which in turn will help to build the physical infrastructure for the global electronic marketplace in the New Economy. However, ICT products also provide significant externalities for all industries by helping this industries to engage in electronic commerce (e-commerce) with significantly lower costs and by raising the efficiency of - and returns on - investment."

The OECD report also refers to a survey by APEC where more than 70% of the respondents recognised that using e-commerce to reach international markets is important, particularly in developing countries (Chile, China, Indonesia, Malaysia, Mexico, Papua New Guinea, Peru, Philippines, Russian Federation, Thailand and Vietnam). Furthermore a survey by the European Commission shows that enterprises having access to the Internet and using e-commerce are more frequently exporting than those who do not use e-commerce.

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<sup>7</sup> European Commission, Internal Market Score Board nr. 10, 16 May 2002, available at: [http://europa.eu.int/comm/internal\\_market/en/update/score/index.htm](http://europa.eu.int/comm/internal_market/en/update/score/index.htm)

### 3.4 Input from industry

On-going consultations with European industry continues to confirm that TBT related NTMs are an obstacle to trade. In recent consultations industry has in particular high-lighted the diverging conformity assessment requirements of ITA Members and that these procedures are many times excessively based on third party approvals. As mentioned before conformity assessment requirement either take the form of a supplier's declaration of conformity or the third party (either public or private) approval body. However, a number of variants exist, as identified in the recent OECD study mentioned above "Standards related Barriers and Trade Liberalisation: Telecommunications Sector Study", which adds further complexity to marketing ITA products on a either a global basis or in relation to individual countries.

European industry considers that conformity assessment procedures based on supplier's declaration of conformity is the most appropriate for ITA products. The main reasons being it does not cause unnecessary delays to introducing a product on the market and the risks related to ITA products do not warrant stricter approval procedures. The pace of technological innovation and increased competition has shortened product life cycles to between 12 to 18 months. Even a one month delay with market introduction would have a significant impact by reducing sales revenues. Additional costs may also be incurred from storage of products whilst awaiting the completion of approval procedures. At the same time the expenditure of research and development and product design have increased. This means that companies have shorter time periods within which to recuperate investments made<sup>8</sup>.

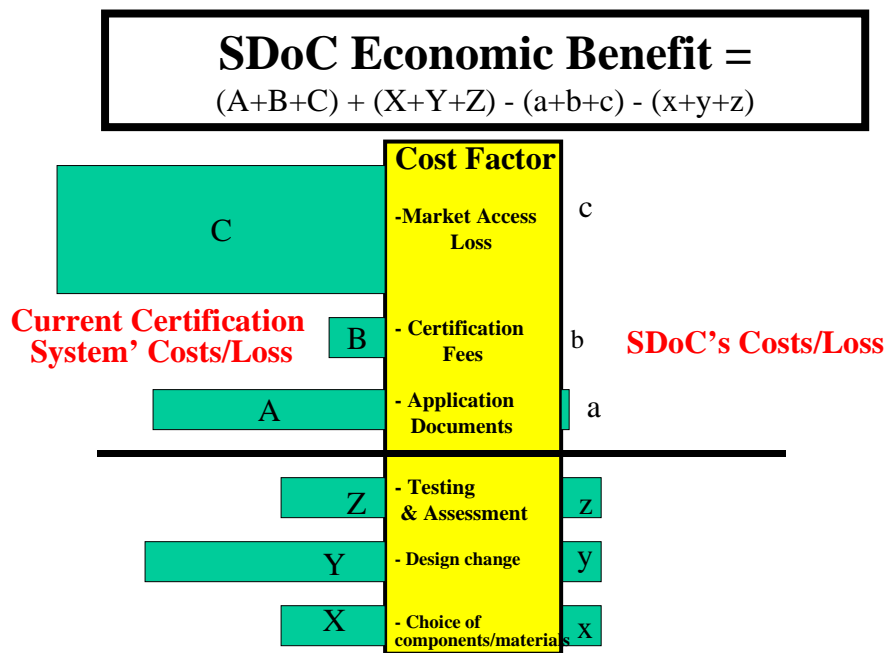
The OECD report mentioned above refers to an estimate made by US industry which indicates that delays of, on average, four weeks for FCC product approval and registration amount to approximately USD 100 million per year. Industry has also estimated that for wireless telecommunications equipment approvals can delay market introduction by four to seven weeks, while conformity assessment based on supplier's declaration would only take approximately two days (this has been achieved in the EU with the introduction of the RTTE directive).

Industry has also pointed to cost savings related to design change and greater flexibility in choice of components and materials that would accrue from using the suppliers' declaration of conformity.

The cost comparison between suppliers' declaration of conformity (SDoC) and third party certification and approval has been illustrated by industry in the graphic below.

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<sup>8</sup> See also OECD report "Tackling Non-Tariff Measures in the New Economy: Interim Report" TD/TC/WP(2001)44, November 2001.



#### IV. CONCLUSIONS AND POSSIBLE WAYS FORWARD

In its submission to Phase II of the NTM work programme the EC has chosen to focus on TBT related NTMs since these seem to pose the main concern for ITA participants. This should of course not detract from the impediments to trade caused by import licensing, certificates of origin, public procurement rules and other non-tariff measures.

Empirical data on and quantitative analysis of the economic and development impact of TBT related NTMs on trade in ITA products and the benefits of addressing them is scarce. However, the estimates that exist indicate that the additional costs that result from TBT related NTMs are considerable. In the US alone it has been estimated that an average delay of four weeks in seeking product approval and registration amount to approximately USD 100 million per year. Duplicative testing and certification of computers, telecommunications equipment and other IT products in EU-US trade has been estimated to cost US companies and consumers more than USD 1.3 billion annually. However, this cost has, at least for US exporters to the EU, basically been completely eliminated with the introduction of the RTTE directive.

The creation of EU Single Market can serve as an example of the benefits that can result from addressing of TBT related NTMs. The experience and studies available show that the removal of TBT related NTMs has had a considerable positive economic effect on the EU market for telecommunications equipment. The measures undertaken to remove NTMs has contributed to, inter alia, a considerably increased market size, lower barriers to entry, increased opportunities for economies of scale, increased competition, increased import penetration. This has led to a significant reduction in prices, 12-30% compared to “competitive world prices”, saving European purchasers approximately EUR 2 billion per year.

The EC therefore considers that the available information clearly shows that TBT related NTMS have a considerable impact on trade in ITA products and addressing them in an appropriate

way can result in substantial savings for consumers and end users and greater variety and availability of products.

However, the removal of TBT related NTMs does not mean there are no legitimate public interests that need to be protected through regulations. Although there are differences between countries in how ITA products are regulated, in particular with regard to conformity assessment requirements, there are also many commonalities which offer a considerable scope for developing common good regulatory practices for ITA products.

The proposal from Canada to carry out a pilot project on EMI/EMC conformity assessment for ITA products is therefore welcomed and supported. Especially the proposed workshop involving regulators where experiences, best practices etc. can be exchanged in view of possibly finding a common way forward.

In this context the EC would also like to point to the work of the United Nations Economic Commission for Europe (UN/ECE) in developing an “International Model for Technical Harmonisation based on Good Regulatory Practice for the Preparation, Adoption and Application of Technical Regulations via the use of International Standards”. This could possibly offer an avenue in addressing TBT related NTMs.

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